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No. 96-1960

IN THE

Supreme Court of the United States

OCTOBER TERM, 1996

WANG LABORATORIES, INC.,

Petitioner,

v.

MITSUBISHI ELECTRONICS AMERICA, INC. AND MITSUBISHI ELECTRIC CORPORATION,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF RESPONDENTS IN OPPOSITION

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RESTATEMENT OF QUESTION PRESENTED

Whether the Federal Circuit erred in affirming the district court which upheld the jury's verdict that, under the specific facts of this case, the petitioner-patentee engaged in a course of conduct which conferred an implied license on the respondents.

RULE 29.6 STATEMENT

The parent companies and non-wholly owned subsidiaries and affiliates of the respondents Mitsubishi Electronics America, Inc. and Mitsubishi Electric Corporation are listed below:

SPC Electronics Corporation
The Kodensha Corporation
Optec Dai-ichi Denko Co., Ltd.
Nihon Kentetsu Co., Ltd.
Toyo Takasago Dry Battery Co., Ltd.
Shizuki Electric Corporation
Kanaden Corporation
Ryoden Trading Co., Ltd.
Oi Electric Co., Ltd.

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BRIEF OF RESPONDENTS IN OPPOSITION

Respondents (hereinafter sometimes collectively "Mitsubishi") respectfully oppose the petition for a writ of certiorari by the petitioner Wang Laboratories, Inc. (hereinafter sometimes "Wang") to review the decision of the United States Court of Appeals for the Federal Circuit rendered in the above-entitled proceedings on January 3, 1997 (*See* App. A1-A28 appended to Wang's Petition and App. A21a-A21c appended hereto).[1] The case is fact-specific, correctly decided, and does not raise any new or undecided question of law.

STATEMENT OF THE CASE

A. Introduction

The Federal Circuit, following the precedent of this Court and subsequent jurisprudence of the lower courts,

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[1] A highly pertinent portion of the Federal Circuit's January 3, 1997 decision is inexplicably omitted from the re-typed version appearing in the Appendix prepared by petitioner at A1-A28. The significant omission occurs at page A21, about halfway down the page after the line ending "Spindelfabrik." Pages A21a-A21c of the Appendix hereto repeat the text of the Federal Circuit's opinion which appears on page A21 of the petitioner's appendix, as supplemented with the omitted language (shown in bold on pages A21a-A21c). The Federal Circuit's opinion also is reported at 103 F.3d 1571, with the portion omitted by petitioner appearing at page 1580.

upheld the jury's verdict that the respondents had established an implied license defense to the petitioner's patent infringement allegations. In upholding the jury's verdict, the Federal Circuit addressed the single evidentiary issue which the petitioner had preserved through its motion under Federal Rule of Civil Procedure and determined that the district court applied the correct rule of law as set forth in an agreed-upon jury instruction derived from this Court's decision in *DeForest Radio & Tel. Co. v. United States,* 273 U.S. 236, 47 S.Ct. 366 (1927). The jury upheld the respondents' implied license defense after the respondents proved that the petitioner had, over a six-year period, led the respondents to properly infer consent to manufacture and sell memory modules which the petitioner initially championed as an industry standard and only later alleged infringed its patents. App. A23-A24.

After the jury returned its verdict of an implied license in favor of the respondents, Wang undertook to undermine the jury's verdict. Seizing on the opportunity to draft the findings and conclusions on equitable estoppel and the other equitable issues which had been tried to the district court,[2] Wang crafted overreaching findings and conclusions which contradicted the jury's implicit findings

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[2] After announcing its tentative ruling on the equitable defenses of equitable estoppel, inequitable conduct, laches, patent misuse and unclean hands, the district court invited Wang to draft the findings and conclusions on those issues, as well as the judgment on all issues. A12-A15.

on the respondents' implied license defense (and which ultimately were found erroneous). *See* App. A18, note 3. And, in preparing the draft judgment invited by the district court, Wang attempted to recast the jury's actual verdict of an implied license which had no recitation of an underlying doctrine into an implied license "under the doctrine of legal estoppel." *Compare* App. A37, ¶11, with App. A93, ¶8. *See also* App. A12-A13.

Despite the respondents' evidentiary objections and Seventh Amendment objections regarding the primacy of the jury's findings over the court's equitable findings, the district court subsequently entered Wang's proposed findings and conclusions verbatim – right down to typographical and other apparent errors. At the same time, the district court entered the improperly-restricted judgment on the implied license. With the foundation of the petitioner's post-trial plan in place, the petitioner then argued that the district court's rejection of the equitable estoppel defense necessarily required reversal of the jury's verdict that an implied license existed. That argument was properly rejected by the district court in denying Wang's motion for judgment as a matter of law under Federal Rule of Civil Procedure 50(b) (*see* App. A98-A103), and by the Federal Circuit both in its January 3, 1997 affirmance and, later, in denying Wang's petition for rehearing (which presented essentially the same arguments as are presented here).

The fundamental flaw in Wang's argument here and below is its steadfast refusal to recognize implied license as a defense separate both from legal estoppel and equitable estoppel. Wang postulates that the facts and

circumstances do not warrant a finding of legal estoppel *per se*, and cannot support a finding of equitable estoppel *per se* because the district court rejected that defense. Wang refuses to acknowledge, however, that the implied license here arose under a different rule of law altogether: the 70-year-old "entire course of conduct" test of *DeForest*, as set forth in the jury instruction. That the Federal Circuit characterized the implied license here as "in the nature of equitable estoppel" does not mean that the Federal Circuit held that Wang's conduct constituted equitable estoppel *per se*. On the contrary, the Federal Circuit explained at length the differences between the two doctrines, and how upholding the defense of implied license was consistent with a finding of no equitable estoppel *per se*. App. A21-A25 and App., *infra*, A21a-A21c (*see* footnote 1).

In sum, the jury applied the agreed-upon jury instruction and found the existence of an implied license. Both the district court and the Federal Circuit found that there was substantial evidence of consideration (the only factual issue preserved for appeal) and that the correct rule of law had been applied. Nothing occurred which merits review by a writ of certiorari in this fact-specific case.

B. Supplemental Factual Background

In mid-1983, Wang settled on a preferred embodiment for an electronic memory module for its word processors and peripheral equipment. The design used nine 64 kilobit ("64K") memory chips, each mounted in a new plastic package (called a "PLCC") that Texas Instruments had just introduced. Salient features of Wang's preferred embodiment included a particular size

for the printed circuit board onto which the nine PLCCs were arranged and a specific "pinout" for 30 contact pins. The 30 contact pins specified included three extra pins to accommodate the next three generations of PLCC memory chips as they were introduced.[3] Wang decided not to manufacture the memory module itself. Instead, it began promoting the design as an industry standard and seeking to interest others (including the manufacturers of memory chips in PLCC packages, the principal components of the modules) in manufacturing modules for use by Wang and other makers of electronic equipment who might design equipment with sockets to require the standardized modules. App. A7-A8, App. A19-A20.

Beginning with a "press panel interview" which Wang convened in July of 1983 to introduce its preferred memory module configuration, Wang emphasized that it was *not* seeking proprietary rights in the design. Instead, the Wang spokespersons explained that Wang simply wanted to have the design adopted as an industry standard and manufactured in high volumes for Wang and other users. Using such an approach, both Wang and the other equipment manufacturers that designed equipment to

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[3] Improvements in memory chip manufacturing technology have historically allowed memory chips to quadruple in capacity every couple of years. That trend has continued over the past decade, such that memory chips currently have a capacity of 64 *mega*bits, which is five generations beyond – and 1,000 times the capacity of – a 64 *kilo*bit chip.

require the standard modules would benefit from multiple sources and competitive, low prices. App. A8, A19-A20.

Unbeknownst to the companies Wang was encouraging to make modules according to Wang's preferred design, or to the companies designing their computers to require such modules, Wang applied for and quietly[4] pursued patents for modules of Wang's design. App. A3, A10.

Respondent Mitsubishi Electric Corporation, a manufacturer of, *inter alia,* memory chips, was among the companies that Wang approached in 1983 to make memory modules according to the standardized design preferred by Wang. Mitsubishi, however, had not tooled up to make 64K memory chips in the new PLCC packages. Instead, Mitsubishi was planning to employ the PLCC packages for the next generation of memory chips – the 256K version. App. A9. Wang and Mitsubishi representatives continued to meet over the next couple years, and in 1985 Mitsubishi provided Wang with a prototype of its memory module. Wang requested certain design modifications, and Mitsubishi made those modifications for Wang without charge – fully consistent with Mitsubishi's practice regarding non-proprietary designs. Mitsubishi subsequently introduced its 256K modules to the general market, and, over the period of 1987 to 1989, Wang bought substantial quantities of these

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[4] Under U.S. law, patent applications remain secret unless and until a patent issues. 35 U.S.C. § 122.

modules from Mitsubishi. In late 1989, after the boom in personal computers had created a high demand for the standardized memory modules, Wang had a change of heart regarding the non-proprietary nature of its memory module design, and sent Mitsubishi and others notices of infringement under two patents which had issued to Wang in 1987 and 1988. App. A9-A10.

C. Supplemental Procedural Background

Prior to and during the trial, the parties engaged in the drafting of jury instructions and in determining which of the respondents' defenses would be tried to the jury for binding resolution and which of the defenses would be tried to the court with an advisory jury. The parties ultimately agreed on the following jury instruction pertaining to the implied license defense, and agreed that it would be tried to the jury for binding resolution:

> One who owns a patent as patentee or assignee, having the right to exclude others from making, using or selling what is claimed, may agree to let another do one or more of those acts. This is called a license, and the person allowed to do the set of acts is a licensee.
>
> An implied license is a form of implied-in-fact contract. In order to proved [sic] the defense of implied license, [Mitsubishi] must establish by a preponderance of the evidence that (1) there was an existing relationship between Wang and [Mitsubishi]; (2) within that relationship, Wang transferred a right to use the SIMM invention to [Mitsubishi]; (3) the right

> was transferred for valuable consideration; and (4) Wang has now denied the existence of the right it transferred to [Mitsubishi].
>
> In deciding whether [Mitsubishi has] proved the existence of an implied license, you may consider statements and conduct of Wang from which one could reasonably infer Wang's consent to Mitsubishi's making, using or selling products to persons other than Wang under the patents.
>
> If you find that a right to make, use, or sell the SIMM invention was granted to [Mitsubishi] then you should find and [sic] implied license was granted to [Mitsubishi] by Wang.

App. A11-A12.

At the close of the respondents' case, Wang filed a motion for judgment as a matter of law under Federal Rule of Civil Procedure 50(a) on the respondents' implied license defense. Of the several elements of the defense set forth in the jury instruction, Wang's motion challenged only the sufficiency of the evidence on the element of consideration. As a result, the only factual issue which Wang properly preserved for its post-trial motions, and for its subsequent appeal, was the issue of consideration (which appears as element (3) of the instruction). App. A100.

The jury returned a verdict which, *inter alia,* upheld the respondents' implied license defense, implicitly

finding facts supporting the several elements of the jury instruction. App. A12, A18-A19, A37 (¶11).

Despite the petitioner's narrow motion under Federal Rule of Civil Procedure 50(a), its post-trial motion under Federal Rule of Civil Procedure 50(b) attempted to reformulate the jury instruction and then challenged the evidence under its reformulated instruction. In denying the petitioner's motion, the district court first examined the issue of consideration and found three independent sources of evidence of consideration in the record. App. A100-A101. While noting that it was unnecessary to do so, the district court also addressed the evidence supporting the other elements. In the course of that analysis, the district court rejected Wang's attempted post-trial reformulation of the jury instruction to which it had agreed and not objected. App. A101-A103. The district court upheld the jury verdict on implied license. *Id.*

On appeal to the Federal Circuit, Wang ignored the agreed-upon jury instruction entirely in favor of a new formulation of the law of legal estoppel, and challenged the sufficiency of the evidence of consideration (which remained an element of Wang's proffered test for legal estoppel). Wang dismissed this Court's decision in *DeForest* in a footnote as relating to equitable estoppel.[5]

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[5] Although respondents' opposition brief cited the applicability of *DeForest*, petitioner's reply brief failed even to address the *DeForest* decision. It is disingenuous for petitioner now to suggest that the Federal Circuit "engaged in appellate factfinding (continued)

The Federal Circuit examined the evidence of consideration and affirmed that substantial evidence of consideration existed. App. A19-A21. In view of Wang's improper equating of the equitable estoppel and implied license defenses, the Court also took the opportunity to explain the defense of implied license as it relates to the separate but related defense of equitable estoppel which had been tried to the district court. In a thorough analysis, the Federal Circuit explained that the defenses of implied license and equitable estoppel "are not conterminous." App. A21-A22. Moreover, in a footnote ignored by Wang both in its petition for rehearing and in its petition for certiorari, the Federal Circuit found the district court's findings and conclusions (which Wang drafted) to be erroneous to the extent they were inconsistent with those findings implicit in the jury's verdict that Wang had granted Mitsubishi an implied license. App. A18 at n.3 (citing *Therma-Tru Corp. v. Peachtree Doors, Inc.*, 44 F.3d 988, 995 (Fed. Cir. 1995), which in turn cites *Beacon Theatres v. Westover*, 359 U.S. 500, 510-11 (1959), for its discussion of the Seventh Amendment issue). Hence, the Federal Circuit removed any basis for an assertion that the jury's implicit findings are inconsistent with the district court's findings on the issues tried to the court. *Id.*

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and *sua sponte* arrived at a basis for decision that the parties had no opportunity to address." *See* Petition at 3.

REASONS FOR DENYING THE PETITION

I. IN CORRECTLY UPHOLDING THE RESPONDENTS' IMPLIED LICENSE DEFENSE, THE FEDERAL CIRCUIT DID NOT *SUA SPONTE* CREATE A "NEWLY-FASHIONED DOCTRINE OF ESTOPPEL"

The Federal Circuit observed that "implied licenses are rare under any doctrine." App. A23. Yet the Federal Circuit recognized that a rule of law announced by this Court seventy years ago remains fully applicable today:

> No formal granting of a license is necessary. Any language used by the owner of the patent, or any conduct on his part exhibited to another from which that other may properly infer that the owner consents to his use of the patent ... constitutes a license, and a defense to an action for a tort.

DeForest, 273 U.S. at 241. The Federal Circuit, in its decision below, set forth a thorough analysis of the law of implied license as it has developed over the past 70 years:

> Since DeForest, this court and others have attempted to identify and isolate various avenues to an implied license. As a result, courts and commentators relate that *implied licenses arise by acquiescence, by conduct, by equitable estoppel (estoppel in pais), or by legal estoppel.* [citations omitted] These labels describe not different kinds of licenses, but rather different categories of conduct which lead

> to the same conclusion: an implied license. The label denotes the rationale for reaching the legal result.

App., *infra*, A21b (emphasis added; see footnote 1). The Federal Circuit decision goes on to find that – consistent with *DeForest* and recent Federal Circuit precedent[6] – the "entire course of conduct" is the "avenue" applicable here. App. A23-A25.

In accusing the Federal Circuit of *sua sponte* action,[7] Wang ignores the entire discussion in the opinion which spans Appendix pages App. A21-A25 as supplemented at App., *infra*, A21a-A21c (see footnote 1). Indeed, the Court specifically identified the differences between the

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[6] In *McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917, 920 (Fed. Cir. 1995), *cert. denied*, 116 S.Ct. 1268 (1996), the Federal Circuit held that "the entire course of conduct between a patent or trademark owner and an accused infringer may create an implied license."

[7] The Federal Circuit thoroughly considered and ruled on only the implied license defense set forth in the jury instruction. As to the formulation of that instruction, the Court noted that "Wang submitted legal estoppel language; Mitsubishi objected and offered equitable estoppel or estoppel by conduct as the basis of its license. The final instruction merged the parties' competing proposals into one instruction ...." App. A11. Thus, to the extent Wang argues that a "new doctrine" was created, it was the parties' agreement – as opposed to *sua sponte* action by the Federal Circuit – that resulted in the jury instruction given.

equitable estoppel and implied license defenses, discussing and endorsing *DeForest* in connection with implied license and *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1041-44 (Fed. Cir. 1992), in connection with equitable estoppel. When it is recognized that *Aukerman* and *DeForest* remain as seminal decisions in two distinct lines of cases – the former addressing the defense of equitable estoppel and the latter addressing the defense of implied license – Wang's petition is exposed as unfounded criticism of a correctly-reasoned opinion of the Federal Circuit.

II. THE FEDERAL CIRCUIT ADHERED TO ITS PROPER APPELLATE ROLE

Wang encourages review here by suggesting that the Federal Circuit abandoned its proper appellate role in favor of one of a "roving commission" "invoking standards that were never presented to the jury." Petition at 15. This is a curious perversion of the circumstances which led the Federal Circuit to address legal and equitable estoppel in the first place.

As quoted and explained above, the agreed jury instruction is silent as to any form of estoppel; it is fully consistent with *DeForest* and its progeny in simply setting forth the elements of implied license without reference to estoppel. Wang first launched its improper effort to pigeon-hole the jury's verdict on the implied license defense into a form of estoppel *per se* when it drafted the judgment on implied license specifying *legal* estoppel and the overreaching findings and conclusions on equitable estoppel. Wang then argued that legal estoppel *per se* can

only arise under a few circumstances, which it argued are not present here. At the same time, Wang postulated the fallacy that the finding of an implied license is necessarily inconsistent with a failure to find equitable estoppel *per se*. Hence, beginning with its post-trial motion under Rule 50(b) through the present petition, Wang has attempted to reframe the issues solely in terms of estoppel defenses rather than the actual implied license instruction to the jury – which contemplates other "avenues to an implied license," including by course of conduct.

In suggesting that the Federal Circuit undertook a *sua sponte* explanation of the relationship between the equitable estoppel and implied license defenses, Wang fails to acknowledge its fixation on the defenses of legal and equitable estoppel throughout the post-trial briefing. The Federal Circuit could have chosen to limit its decision simply to confirming that the district court had applied the proper legal standard for implied license and finding substantial evidence of the only factual issue preserved for appeal – consideration. To counter Wang's faulty reasoning, however, the Federal Circuit undertook to explain the distinction between equitable estoppel and implied license. Wang's criticism misperceives what the Federal Circuit did – and why it did it.

III. WANG'S PROFESSED CONCERNS OVER CONFUSION AND UNCERTAINTY IN THE PATENT LAW ARE UNFOUNDED

Even after (1) the jury's verdict, (2) the district court's denial of Wang's Rule 50(a) and 50(b) motions, (3) the Federal Circuit's original decision, and (4) the

Federal Circuit's denial of Wang's petition for rehearing, Wang refuses to acknowledge the scope of the factual evidence which may be considered in weighing the implied license defense the Supreme Court approved in *DeForest*. Far from creating any uncertainty in, or expanding the law of, implied license, the Federal Circuit simply followed the Supreme Court's 70-year-old decision in *DeForest* and confirmed that, "[a]lthough judicially implied licenses are rare under any doctrine," one can arise from an "entire course of conduct" when the elements of such a defense are present. App. A23-A24.

If those elements are determined to be present in another case, an implied license may be found. Conversely, if those elements are not present, an implied license should not be found. The fact that an implied license was found in *this* case – where there was a course of dealing between the parties spanning six years, where Wang induced Mitsubishi to produce memory modules according to an industry standard which Wang championed, and where Wang was found to have received several forms of consideration directly from Mitsubishi – does not mean that "the sky is falling" in the patent jurisprudence relating either to the implied license defense or to the equitable estoppel defense. However rare implied licenses have been, and presumably will continue to be, there clearly is one here. *Id.*

IV. WANG'S JUDGE-VS.-JURY ISSUE IS NOT PROPERLY PRESENTED; THE PARTIES HERE AGREED TO TRY THE IMPLIED LICENSE ISSUE TO THE JURY

Wang's suggestion that the Federal Circuit's decision may create a quandary for trial courts as to whether there is a Seventh Amendment right to a jury trial on the issue of implied license (Petition at 13-14) is not an issue in this case and, therefore, is not properly before this Court. As the Federal Circuit recognized, the parties here agreed to submit the matter to the jury for resolution. App. A17. A future district court may well be called upon to address that potential constitutional issue if a party does not consent to trial by jury of an implied license defense under Fed.R.Civ.P. 39(c), but that clearly is not the situation here. Inasmuch as the parties' agreement obviated the need to do so, neither the district court nor the Federal Circuit decided whether the implied license defense is a judge issue or a jury issue. This Court should refrain from addressing such an issue until the question is timely presented and determined below and thereinafter properly presented to this Court. *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-241 (1936).

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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